

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday October 19, 1976

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Tuesday, October 19, 1976

The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [] Syrian President Asad and Egyptian President Sadat
papered over their differences yesterday, paving the way for
last night's announcement that the six leaders at the Riyadh
summit had reached agreement on a nine-point formula for end-
ing the Lebanese civil war. Syrian-Egyptian cooperation appears
to give this peace plan the best chance yet of ending the
fighting.

25X1 [] A full Arab summit meeting has been set for October
25, presumably to endorse the results of the Riyadh meeting
and to try to keep implementation of the resolutions on track.

25X1 [] Sadat received Asad before last night's summit ses-
sion, and the lengthy private meeting underscored their recon-
ciliation. Later, it was announced that Egypt and Syria had
agreed to stop their propaganda war and resume normal diplo-
matic relations.

25X1 [] By paying a private call on Sadat and accepting a
set of Egyptian proposals as the basis for the peace formula
adopted by the summit last night, Asad implicitly acknowledged
Sadat's claim to Arab leadership.

25X1 [] In turn, Sadat appears to have recognized Syrian pri-
macy in Lebanon. The final peace formula calls, for example,
for a committee composed of Egypt, Saudi Arabia, Kuwait, and
Syria to enforce Palestinian adherence to the restrictive Cairo
accord. The formula also seems to leave the question of Syrian
troop withdrawals to the discretion of Lebanese President Sar-
kis, who is strongly susceptible to Syrian and Christian influ-
ence.

25X1 [] Indeed, the peace formula appears to leave several
questions purposely vague. The job of supervising the with-
drawal of all combatants, for example, is to be assigned to an
expanded Arab League force of 30,000 men. It is unclear which
countries will contribute to this force or whether Syrian
troops are to be considered combatants or part of the peace-
keeping force, of which they are an original member.

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[] Presumably, Asad would not have agreed to go along with the peace plan unless Sadat and Palestinian leader Yasir Arafat had agreed to count Syrian forces as a major part of the Arab League supervisory force. In any event, there is no way that the Riyadh resolutions calling for a complete cease-fire by the morning of October 21 and a subsequent withdrawal of all combatants from major areas of fighting within another 5 to 10 days can be implemented without Syrian cooperation.

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[] The continued opposition of the Palestinians' and Syrians' allies, who were not represented at the Riyadh meetings, are the major threat to the present plan. The Lebanese Christians, especially extremists such as Camille Shamun, are likely to be very reluctant to give back any of the territory they have gained over the past month or so. Syria can probably rein them in if it chooses to do so.

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[] Arafat is not likely to have an easy time persuading the Lebanese leftists or more radical fedayeen groups to come around. He may well have to crack down on dissenters to gain their compliance--something he has never been willing or able to do in the past.

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[] The big loser in the present compromise may be Arafat and the Palestine Liberation Organization. Although Arafat has gained a breather from Syrian military pressure and some room to maneuver between Sadat and Asad, the PLO has had to accept the very restrictive provisions of the Cairo accord, as well as Syrian predominance in Lebanon. Arafat knows now that Egypt and Syria are willing to compromise at the Palestinians' expense in order to promote their own national interests. []

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WEST GERMANY - UK: Aid

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[] //West German concern over the British economy may lead Bonn to propose new long-term aid to the UK.//

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[] //In his first major statement on foreign policy following his coalition's victory in the election on October 3, Chancellor Schmidt declared that West Germany must be prepared to assist European neighbors who find themselves in difficult financial circumstances. Schmidt told a West Berlin audience that Western support for Berlin can be secured in part by demonstrating a willingness to help allies who are economically weaker.//

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[] //The Chancellor did not mention a specific country, but his remarks were made the day after his meeting on October 10 and 11 with British Prime Minister Callaghan. []

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[] //Despite his frequent public criticism of economic instability in countries such as Britain, Schmidt's willingness to consider further financial assistance is in keeping with his assessment of the requirements of Bonn's European policy.//

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[] //For more than 20 years, Schmidt has strongly felt that European integration can be complete only with the full participation of an economically and politically healthy Britain. The Chancellor's well-known Anglophilia, coupled with the importance of the British market for German exporters, overshadows whatever frustration Schmidt feels over the record of successive British governments in handling the economy.//

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[] //Schmidt reportedly believes short-term aid on a small scale is not sufficient and that long-term help is needed to solve Britain's economic problems until the arrival of North Sea oil, which will sharply increase government revenues and reduce the UK's chronic balance-of-payments deficit.//

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[redacted] //Schmidt is said to prefer a multinational loan over and above the International Monetary Fund drawing the British have already applied for. The Chancellor reportedly hopes that the US and Japan will join in assisting the UK. In the interim, Bonn would be prepared to:

--Back an IMF loan which would not require a sharp departure from current UK policy.

--Support the current rate of exchange for EC agricultural transactions, a de facto subsidy for UK food prices.

--Reach agreement with the UK on the offset payment for stationing British troops in West Germany.//

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[redacted] //If such a major aid package emerges, Britain would be likely to reduce its public sector borrowing requirement by cutting expenditures or raising taxes, or both. [redacted]

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GUYANA: Prime Minister's Speech

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[] Prime Minister Burnham has sharply criticized the US in a major speech paying respect to the victims of the Cubana air crash off Barbados last week.

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[] Although he stopped short of accusing the US of complicity in the crash that claimed the lives of 11 Guyanese, Burnham insinuated that the US government was at least morally responsible because of its support for Cuban exile organizations.

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[] Burnham also used the occasion to repeat allegations that since 1972 the US has tried to deter Guyana from having friendly relations with Cuba and embarking on its own "socialist" path. In addition, he repeated charges that Guyana was threatened by "destabilization by imperialist powers."

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[] Burnham seemed to invite further demonstrations against the US embassy when he warned that "those who perpetrate violence must now expect they will have violence visited upon them." There is no evidence, however, that the government is planning a campaign of harassment or violence against the embassy or its personnel.

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[] Despite the Prime Minister's unusually tough language, Burnham probably realizes that in the absence of significant economic and financial assistance from his socialist allies,

25X1 he will need Western assistance, principally from the US, to finance economic development and to secure badly needed food crop loans. []

USSR: Brezhnev's Promotion

25X1 [] Recent analysis suggests that the decision to promote General Secretary Brezhnev to Marshal of the Soviet Union was made simultaneously with the decision to appoint Dmitry Ustinov as minister of defense. The General Secretary's promotion may have been intended to underline Brezhnev's authority in defense matters, including the right to appoint Ustinov.

25X1 [] Brezhnev's military promotion was publicly announced by Tass on May 8, when the USSR was celebrating its victory in Europe in World War II. The announcement referred to his war-time service and to his leadership as chairman of the Defense Council.

25X1 [] Brezhnev's elevation to Marshal was apparently decided upon between April 20 and 29. These were the dates on which the May issues of *Military Historical Journal* and *Air Defense Herald* went to press, respectively. Both issues contained parallel references to Brezhnev. The *Journal* gave his rank as General of the Army, while the *Herald* incorporated his new rank as Marshal of the Soviet Union. Both issues were sent to subscribers after the announcement of the promotion in early May, and the editors of both journals were probably informed of the promotion once it had been approved. It was too late, however, to make the appropriate changes in the *Journal*.

25X1 [] Subsequent to the references to Brezhnev in the *Journal* and *Herald*, two senior Soviet officers associated with Chief of the General Staff Kulikov only faintly praised the General Secretary's national security role in a review of the first volume of the new *Soviet Military Encyclopedia*. This treatment of Brezhnev contrasts with reviews of the encyclopedia by other Soviet officers which glorify Brezhnev's leadership in national security. Kulikov certainly considered himself a strong contender to succeed Grechko, and he and his supporters may have been among those to whom Brezhnev intended to send a message. []

USSR - EASTERN EUROPE: Grain

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[redacted] Polish party leader Giersek may delay his visit to the USSR because of Soviet reluctance to supply all of the grain Poland seeks. In contrast, the Soviets promised on October 5 to ship a large quantity of grain to East Germany to help cover harvest shortfalls caused by drought.

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[redacted] At the same time, however, the Soviets reportedly raised the possibility of diverting to Poland Hungarian grain due to the USSR under the ten-year meat and grain for petroleum agreement. This would provide only a fraction of Poland's import requirements, which has been estimated by Polish authorities at 7 million tons of grain and fodder.

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[redacted] The Soviets allegedly refused to give equal consideration to Polish grain needs because the Polish-US grain purchase agreement gives the Poles an option not available to the East Germans. This appears unlikely since that option is not legally binding. Moreover, East Germany may have argued that it is ineligible for Commodity Credit Corporation credits, unlike Poland which is receiving \$100 million in such credits this year.

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[redacted] Although no amount has been announced on Soviet deliveries of grain to East Germany, [redacted]

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[redacted] the USSR will supply 5 to 7 million tons. We believe this level is too high for only one year; we project total East German grain imports for 1976-1977 at about 4.5 million tons. Purchases in the West already exceed 2.6 million tons, and another 300,000 to 400,000 tons will be imported from Hungary.

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[redacted] If Soviet deliveries exceed 1.5 million tons, some Western grain contracts may be canceled or resold. During 1966-1975, Soviet grain exports to East Germany never exceeded 2 million tons annually. If the estimate of 5 to 7 million tons from the USSR is valid, it probably represents Soviet commitments through 1980.

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[redacted] Reported Soviet reluctance to satisfy Polish grain needs may be a reflection of uncertainty over the size of the Soviet harvest. Moscow's estimates of its crop range from 195

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to over 220 million tons. Large year to year swings in the harvest also may induce the Soviets to minimize the amount of grain pledged in long-term commitments.

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[] Allotting additional grain to East Germany probably will not strain Soviet resources. If the postponement of Gierek's trip signifies Soviet reluctance to provide all the grain Warsaw is requesting, Moscow's hard bargaining could be a sign of Soviet dissatisfaction with Polish economic policies. The USSR reportedly has long been concerned about Poland's wage and price policies and increasing debt to the West. []

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POLAND: Dissidents

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[] Dissident intellectuals in Poland are keeping pressure on the Gierek regime on behalf of workers who suffered reprisals for their part in the June demonstrations, according to the US embassy.

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[] Last month, the intellectuals organized a "Workers Defense League" which issued an "Appeal to the People and Authorities in Poland." The document, signed by 14 prominent intellectuals, said that the workers had been brutally persecuted for making demands that represented the feelings of almost all Poles. It also said that the only way to defend the workers successfully was to publicize government injustices.

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[] In a subsequent "communique," the league asserted that as a result of the demonstrations 126 persons had been imprisoned or had lost their jobs and that 25 persons had been killed and more than 2,000 jailed. These figures are much higher than those previously reported.

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[] The communique provided a financial statement for the league listing donations received and the amounts needed to support jobless families. One intellectual told a US embassy officer that door-to-door solicitations are being made and that money is coming in through the mail. Some members of the league apparently are optimistic about the chances increasing civil liberties, but others warn that it is only the regime's present weakness that forces it to tolerate such activity.

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25X1 [] The Polish regime has tried, unsuccessfully, to divert the criticism over its handling of the June events. In September, the Supreme Court revoked the sentences of seven workers who were sentenced from 3 to 10 year jail terms for their part in the demonstrations, and the regime has either postponed or canceled further trials.

25X1 [] Gierek last week sharply attacked "opponents" who, he said, close their eyes to Polish achievements and parade as "spokesmen of democracy, protectors of national sovereignty and even of the economic and social rights of the working people."

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USSR-SYRIA-LEBANON: *Pravda* Comments

25X1 [] An authoritative article signed "Observer" in yesterday's *Pravda* castigated the Syrian military offensive in Lebanon but made no call for a Syrian withdrawal. A subsequent statement from the unofficial Afro-Asian Solidarity Committee in the USSR also merely called for an "immediate termination" of military action against the Palestinians. The language in both statements is tough, but the USSR still gives no evidence that it is willing to go beyond rhetorical support for the leftists despite their deteriorating situation.

25X1 [] The *Pravda* article was more caustic than the last "Observer" item on September 8, which also called on the Palestinians to negotiate in good faith. The article yesterday accused Syria of continuing its offensive even though the Palestinians were willing to negotiate. It also warned against talks that did no more than provide a screen to hide continued attacks against the leftist forces. The need for a cease-fire was stressed.

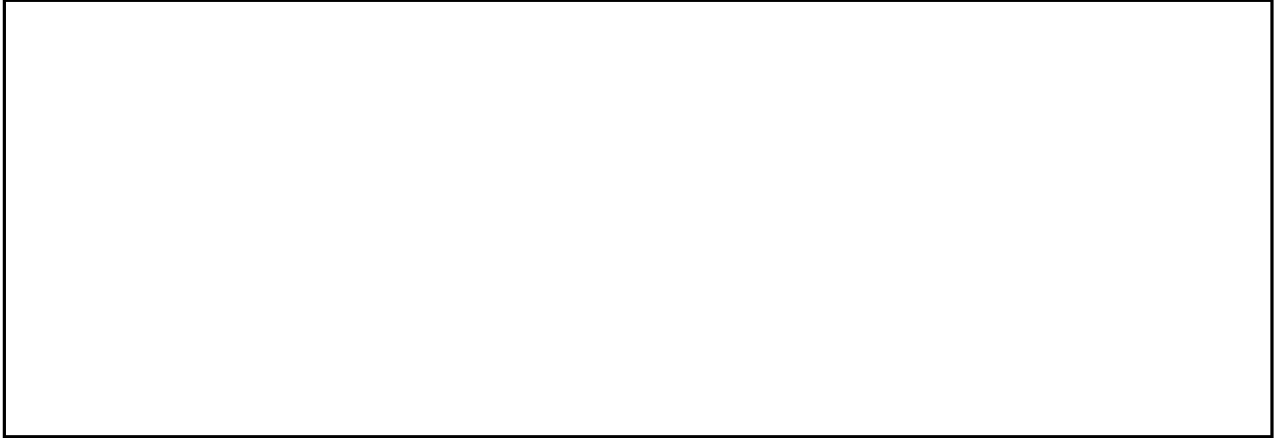
25X1 [] The article, however, did not suggest how a genuine settlement could be reached or give any sign of Soviet determination to press the Syrians to end the conflict. There was no indication, for example, that the Soviets are considering any cutback in military assistance to Syria. Soviet arms carriers continued to arrive at Syrian ports during August and September; the most recent delivery took place on October 4. []

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EC: Energy

//Despite the increased dependence of the EC Nine on oil produced by members of the Organization of Petroleum Exporting Countries and the possibility of a major increase in oil prices in December, no breakthrough on a common energy policy is likely at the meeting today of EC energy ministers in Brussels.//

//The Commission argues that the Community needs a common policy more than ever, but differences persist among the major EC states primarily over a minimum safeguard price for oil and an emergency sharing plan. These issues have blocked agreement for almost a year.//

//The British are unlikely to push hard for agreement on a minimum price EC countries will pay for oil because of continued French resistance and growing doubts of their own over the practicality of such a scheme. The French, meanwhile, are protesting the UK's decision not to allow North Sea gas to be piped to France. They insist there can be no agreement on a minimum price until the UK promises not to place any restrictions on the export of North Sea oil and gas.//

//Italy has also put up major roadblocks concerning implementation of a minimum price.//

//Aware that its hope for a common energy policy now stands little chance, the Commission will try instead to

focus on the seriousness of future energy problems and argue for quick action in areas such as the financing of coal stockpiles and the renewal of coking coal subsidies. Commission officials, however, believe that a breakthrough on the oil sharing plan may come soon.//

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[REDACTED] //According to a recent Commission report, EC imports of OPEC oil will be even greater in 1985 than today, and strong conservation measures must be enacted soon. Total EC energy consumption rose by 9 percent in the first half of 1976, and current estimates suggest a 6 percent rise for the year as a whole.//

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[REDACTED] //Achieving the goal of reducing Community dependence on imported energy from 60 to 40 to 50 percent--set by EC heads of government in December 1974--is now out of the question. Commission officials have set a more realistic 50 to 55 percent goal, but even this may cause problems. For example, while high prices are the best way to cut energy consumption, the price of oil--in real terms--is now 5 to 10 percent below its mid-1974 level.//

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[REDACTED] //The Commission attributes the rise in the consumption of imported oil to the decreased use of coal as an alternative source for electric power generation, shortfalls in EC production of oil and natural gas, and delays in nuclear energy programs.//

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[REDACTED] //The Commission also has underlined the importance of maintaining good relations with the Arab oil-exporting states, stressing its hopes for the Euro-Arab dialogue and negotiations with individual Arab states and Iran. [REDACTED]

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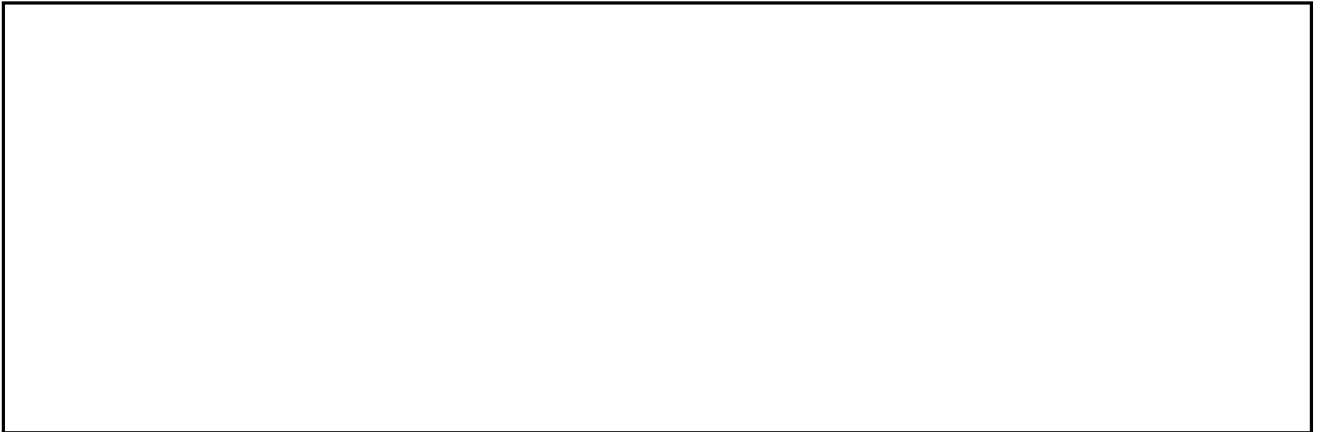
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[REDACTED]

BRAZIL: Economic Headaches

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[REDACTED] Mounting discontent over Brazil's continuing economic problems may force President Geisel to announce some new moves, possibly import restrictions, before the nationwide municipal election scheduled for mid-November. Any major changes of current policies or a restructuring of his economic team, however, probably will not occur until after the votes are in.

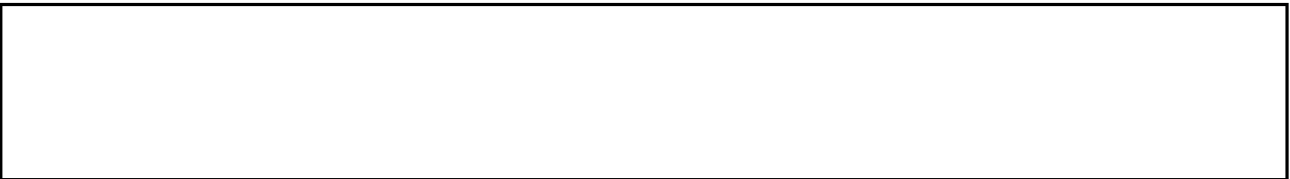


[redacted] Geisel could well move ahead with such popular moves as the imposition of additional restrictions on state enterprises in an attempt to garner support for the pro-government party. [redacted]

ETHIOPIA: Military Unrest

[redacted] Unrest within the Ethiopian armed forces has increased markedly in recent weeks.

[redacted] The US defense attache has received a report that Major Mengistu Hailemariam, the first vice chairman of the ruling military council, visited the Third Division in eastern Ethiopia late last week to mediate a dispute between opposing factions within the unit. Mengistu is said to have ordered the execution of numerous mutinous soldiers.



[redacted] Several factors have contributed to increased tensions within the armed forces, including discontent over the service charges imposed by the government's currency exchange program and the council's crackdown on antigovernment activity, which has resulted in a wave of urban arrests.

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[] Specific military grievances have also played a major role. A recent increase in insurgent activity throughout the country has imposed new strains on the government's inadequate military logistics system. The resulting shortages of supplies and ammunition have further weakened morale and discipline.

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NORWAY: North Koreans Expelled

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[] Norway announced yesterday that it is expelling the entire staff of the North Korean embassy because the North Koreans have been involved in black market sales of liquor and tobacco. Norway apparently does not intend to break diplomatic relations.

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[REDACTED] The Norwegian action came several days after the Danish government requested that the North Korean ambassador and his staff be withdrawn because of their involvement in smuggling and selling narcotics, liquor, and cigarettes.

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[REDACTED] Sweden may be the next Scandinavian country to act against the North Koreans; yesterday police in Stockholm arrested three Swedes for receiving illegally imported goods from North Korean embassy personnel. [REDACTED]

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